ing people who are competent. If they happen to be of one political persuasion, so be it. I've always been a Liberal. Public scrutiny, the fact that you were picked by the prime minister, makes you want to do the best goddam job you can."

Mr. Chrétien gave him no specific marching orders for either role. The first time around, "the prime minister phoned me and said, 'Look, this is a situation that we're trying to change. It would be perfect for you.'" It was left to John Manley, minister of industry, to tell him about a plan to turn FBDB (a lender of last resort so notorious that it was widely known as Flubdub) into a profitable, commercial organization.

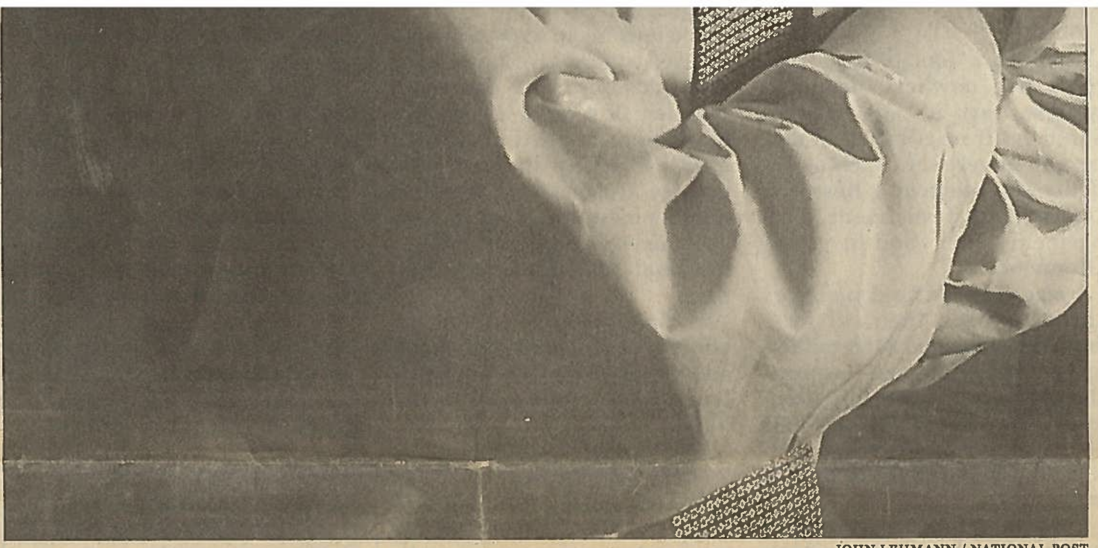
As patronage appointments go, FBDB was no gift. "I didn't know as much as I thought I did about FBDB. It was a 50-year-old organization that had really been badly bruised by the process. It had lost a lot of money, had been used by various governments for purposes that it wasn't intended to be used for. It was a bureaucratic haven and a backwater of the government and I didn't fully appreciate that," says Mr. Lavelle.

During his three-year tenure, FBDB was renamed Business Development Bank of Canada, opened store-front branches to reach its small business audience, replaced older employees with younger, better educated recruits, became profitable and paid the government a dividend for the first time.

There were also frustrations. "I underestimated in my own mind what a major job it was to change this old bureaucratic institution into something that the government wanted to put on a pedestal and, at the same time, effectively finance the knowledge-based economy. The culture is more ingrained than one can imagine in a government bureaucracy. The light doesn't shine in all that often. That process is still going on and it's going to take a lot longer to happen than I thought it should."

In the private sector, by comparison, "You can go in and change the president, the CFO, senior management, you can effect a cultural change very quickly. You don't have that freedom in a government agency. We made changes, but we didn't make all the changes that we wanted to make. Governments don't operate as swiftly as the private sector. You can knock your head against the wall and nothing happens for quite a while."

According to Mr. Lavelle, part of the reason government bureaucracies remain moribund is that too few people from the private sector will accept part-time appointments. The money involved is certainly no carrot. The per diem for a director of a Crown corporation such as BDC or EDC is $375. Last year, total compensation paid to the 10 private-sector EDC directors was $160,000. Of that, Mr. Lavelle earned about $40,000. "Governments are very lucky to get the people they do get. For the responsibility that one takes on and the time involved, this is not what one would call a well-paying job. I wouldn't have taken it for the money."



JOHN LEHMANN / NATIONAL POST

Patrick Lavelle, appointed chairman of the EDC, says the fact that one is picked by the prime minister, makes one want to do the best job possible.

EDC is, however, a more enjoyable role for him than BDC. "EDC is a perfect example of an institution that was created to help foster growth of the Canadian export base." Founded in 1944, EDC provides insurance coverage against political and commercial risks ranging from unpaid orders to expropriation. Project financing, direct buyer loans and lines of credit are also available to foreign buyers of Canadian goods.

Mr. Lavelle spends about a week a month on EDC business and is a director on a number of corporate boards including Geac Computer Corp. Ltd., Slater Steel Inc., Revenue Properties Co. Ltd., Westport Innovations Inc., CPI Plastics Group Ltd. and a U.S. company, Soligen Technologies Inc.

As EDC chairman he plays a liaison role between EDC and the federal government, runs board meetings and confers with the minister before every board meeting (last year there were eight). He has tried to introduce corporate governance principles but directors operate under severe constraints. They can't hire or fire the CEO and don't choose new directors. All such appointments are the prerogative of the prime minister.

'I DON'T THINK PATRONAGE IS A DIRTY WORD'

Much of Mr. Lavelle's time is spent answering critics who want EDC to cease competing with the private sector. "We're in the insurance business because everybody else is in the insurance business. Export credit agencies are part and parcel of the weaponry of every developed country in the world. EDC has always been run with a commercial bent and a high degree of independence from government. It's raison d'être is to promote export growth."

But EDC provides insurance for less than 5% of Canadian exports and the preponderance of that help goes to large, well-established companies such as Bombardier Inc. and Nortel Networks Corp. Small and medium-sized firms (those under $25-million in annual sales) account for 88% of EDC's 4,183 customers, but only 17% of the $34.8-billion in annual business. Quebec-based companies receive more help than any other province, about 38% of the total. Ontario is next at 34%.

Critics also point out that EDC has major advantages in the domestic credit insurance market. EDC pays no income tax or premium tax, pays no dividends to its only shareholder, the government, and is able to use government backing to borrow on favourable terms. The World Trade Organization has also questioned EDC's export-support programs by saying they may constitute unfair subsidies.

A year-long government-sponsored study of EDC by Ottawa-based law firm Gowling Strathy & Henderson completed in July has provided ammunition to both friend and foe by on the one hand lauding the organization but also calling for more private-sector partnerships.

Mr. Lavelle says that EDC is prepared to change. "Where it can be clearly demonstrated that we're in competition with the private sector or that we are in any way impeding the growth of the private sector because we're doing something that they could easily do, the instinct of all of us is to either develop a partnership with the private sector or get out of the business. We're taking that very seriously. I don't think we want to compete with the private sector."

The definition of "competition" may, however, be problematic. The Canadian insurance industry argues that EDC is a direct competitor. The 150-page Gowling report also suggests that privatization could be a goal when it says that EDC "should not be constrained in its evolution towards a more commercial orientation."

"I don't see that necessarily as a suggestion that it be privatized," says Mr. Lavelle. "I see that more as an endorsement of where EDC is and where it's going. There's an absence of a critical mass of people in this country who are providing [insurance] and who are prepared to underwrite the risks involved in exporting to Russia or Tanganyika. There would be an enormous gap. EDC is where BDC should be some day with a strong customer orientation, commercially oriented and a strong sense of independence." BDC, he argues, is a Crown corporation that should be privatized.

But governments move slowly, as Mr. Lavelle well knows. Despite the thorough study and public hearings conducted by Gowling, two parliamentary committees will also hold their own hearings during the next session of Parliament. Moreover, a new trade minister, Pierre Pettigrew, was just appointed last month so a new mandate for EDC is unlikely anytime soon.

Throughout, Mr. Lavelle remains sanguine about the EDC's future but on guard about his role as chairman. "It's not hard, but because it's government, it's more ticklish. You've got to be more on top of the issues on a day-to-day basis. You're in the public domain. Whatever you do, whatever way you operate, it's fair game for a whole bunch of people. If you're in the private sector, you're not as directly out there on the limb, under scrutiny. You have to perform at your peak. You've got to be able to do the job right and not be subject to a lot of criticism." After all, if his patron loses faith, a third bolt of lightning is unlikely.

Financial Post

That transformation has attracted the attention of analysts who have all but ignored Calian in recent years. "By any measure you choose you now find Calian is undervalued," said John McIlveen, technology analyst at Scotia McLeod. Mr. McIlveen rates the company shares a "strong buy" with a 12-month target price of $6.20. Calian closed up 5¢ Friday in Toronto.

Larry O'Brien, Calian's president and CEO, said the company is expecting to announce more contracts in the months ahead. "In July and August we did more proposal work than we did for the entire previous year. So business is looking up here," he said.

The new contracts will help Calian report revenue of $94-$96-million for its 1999 fiscal year ending Sept. 30, up from $79.9-million in fiscal 1998. In the nine months to June 30, Calian reported a net profit of $2.3-million, 236% higher than the same period last year.

Calian's aim is clear — to be the company other firms and governments turn to when they want to turn their traditional business into electronic business. "It costs a bank 6¢ for a client to do a transaction at a bank machine. It costs the bank $2 for the same transaction if you talk to a teller. So there's clear advantage to doing business electronically," Mr. O'Brien said. "Everyone is understanding that if they don't get on this horse they're not going to be riding in a few years."

Calian has positioned itself for this new business by buying Why Interactive, a former subsidiary of JetForm Corp., for $6.4-million last May and by purchasing other IT staffing companies to boost its roster of skilled IT consultants. Although it has concentrated almost all its attention on providing technology services to companies and governments, it has steered clear of consulting work to help clients solve computer problems anticipated when the clock strikes midnight on Dec. 31.

"While other companies were working on Y2K consulting we were positioning ourselves for life after Y2K. Now that it's almost upon us, executives are starting to wonder what's next, considering how to grow their companies and

BY ALAN TOUL

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